

EXHIBIT D

Dyson James Limited
Directors' report and consolidated
financial statements for the year ended
31 December 2005



Directors' report and consolidated financial statements for the year ended 31 December 2005

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Officers and Professional Advisors

Directors

J Dyson

D Dyson

Secretary

A S Briggs

Auditors

PricewaterhouseCoopers LLP

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Directors' report for the year ended 31 December 2005

The directors present their report together with the audited group financial statements for the year ended 31 December 2005.

Principal activities and review of the business

The principal activities of the Group are the sale and servicing of domestic appliances and the invention, research, design and development of domestic appliances.

Results and dividends

The Group's profit for the year after taxation amounted to £82,721,000 (2004: £61,226,000).

Dividends payable in respect of the year amounted to £nil (2004: £7,000,000), accordingly the retained profit has been transferred to reserves.

Future developments

The directors expect the general level of activity to continue in the forthcoming year.

Donations

During the year the Group made donations of £2,926,000 (2004: £173,000) for charitable purposes, the major element of which was a £2,885,000 donation to the James Dyson Foundation (a registered charity) (2004: £150,000). No payments were made for political purposes (2004: £nil).

Employee involvement

The Group's aim, for all members of staff and applicants for employment, is to fit the qualifications, aptitude and ability of each individual to the appropriate job and to provide equal opportunity regardless of sex, religion or ethnic origin. The Group does all that is practicable to meet its responsibility towards the employment of disabled people. Where an employee becomes disabled, every effort is made to provide continuity of employment in the same job or a suitable alternative. The training and re-training of staff is a high priority. Much of this training is on the job as well as by internal and external courses.

It is Group policy that career development and promotion opportunities should be available to all employees. The Group ensures that all employees are kept up to date by regular meetings and newsletters with major developments and changes within the organisation.

Research and development

The Group is committed to research and development. Research and development costs amounting to £35,547,000 (2004: £19,423,000) were expensed in the year.

Creditor payment policy

The company has no business transactions with suppliers.

Directors and directors' interests

The beneficial interest of the directors, both of whom held office throughout the year, in the share capital of the Company was as follows:

| | | 2005 | 2004 |
|---------|------------|--------|--------|
| | | Number | Number |
| J Dyson | A ordinary | 13,960 | 13,960 |
| | B ordinary | 2,000 | 2,000 |
| D Dyson | A ordinary | - | - |
| | B ordinary | - | - |

At the date of this report J Dyson held 69.9% (2004: 69.9%) of the A ordinary shares and 100% (2004: 100%) of the B ordinary shares.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Company and Group for that period. The directors confirm that in preparing those financial statements they have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards and applied them consistently; and
- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the Board on 27 March 2006



A S Briggs
Secretary

Independent auditors' report to the members of Dyson James Limited

We have audited the group and parent company financial statements (the "financial statements") of Dyson James Limited for the year ended 31 December 2005 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

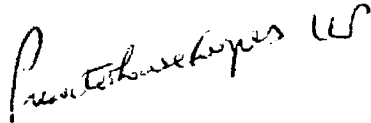
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2005 and of the group's profit and cash flows for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
27 March 2006

**Consolidated profit and loss account for the year ended
31 December 2005**

| | <i>Note</i> | 2005 £'000 | Restated 2004 £'000 |
|--|-------------|----------------------|---------------------------|
| Turnover | | 470,410 | 398,977 |
| Cost of sales | | (163,252) | (140,981) |
| Gross profit | | 307,158 | 257,996 |
| Distribution expenses | | (13,318) | (11,941) |
| Administrative expenses | | (197,314) | (170,612) |
| Operating Profit | | 96,526 | 75,443 |
| Interest receivable and similar income | 7 | 7,199 | 3,137 |
| Interest payable and similar charges | 8 | (614) | (378) |
| Profit on ordinary activities before taxation | 4 | 103,111 | 78,202 |
| Tax on profit on ordinary activities | 9 | (20,390) | (16,976) |
| Profit on ordinary activities after taxation | | 82,721 | 61,226 |
| Minority interests (including non-equity) | 21 | (1) | (39) |
| Profit for the financial year | | 82,720 | 61,187 |
| Dividends (including non-equity) | 10 | - | (7,000) |
| Profit retained for the financial year | 20 | 82,720 | 54,187 |

All of the group's operations are continuing.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

The notes on pages 11 to 33 form part of these financial statements.

**Consolidated statement of total recognised gains and losses
for the year ended 31 December 2005**

| | 2005 | 2004 |
|--|----------------|--------------|
| | £'000 | £'000 |
| Profit for the financial year | 82,720 | 61,187 |
| Currency translation differences on foreign currency net investment hedges | (1,657) | - |
| Other exchange adjustments taken to reserves | 2,633 | (406) |
| Total recognised gains for the year | 83,696 | 60,781 |

Consolidated balance sheet as at 31 December 2005

| | <i>Note</i> | 2005 £'000 | 2005 £'000 | 2004 £'000 | 2004 £'000 |
|---|-------------|----------------------|----------------------|---------------|---------------|
| Fixed assets | | | | | |
| Intangible assets | 11 | | 4,110 | | 4,235 |
| Tangible assets | 12 | | 71,431 | | 67,845 |
| | | | 75,541 | | 72,080 |
| Current assets | | | | | |
| Stocks | 14 | 31,878 | | 24,238 | |
| Debtors: amounts falling due within one year | 15 | 96,864 | | 90,001 | |
| Debtors: amounts falling due after more than one year | 16 | - | | 13,918 | |
| Cash at bank and in hand | | 116,685 | | 56,420 | |
| | | 245,427 | | 184,577 | |
| Creditors: amounts falling due within one year | 17 | | (77,178) | | (88,727) |
| Net current assets | | | 168,248 | | 95,850 |
| Total assets less current liabilities | | | 243,789 | | 167,930 |
| Provisions for liabilities and charges | 18 | | (10,140) | | (17,978) |
| Minority interests | 21 | | (4) | | (3) |
| Net assets | | | 233,645 | | 149,949 |
| Capital and reserves | | | | | |
| Called up share capital | 19 | | 2 | | 2 |
| Profit and loss account | 20 | | 233,643 | | 149,947 |
| Total shareholders' funds | 20 | | 233,645 | | 149,949 |

These financial statements were approved by the directors on 27 March 2006.

J Dyson
Director



The notes on pages 11 to 33 form part of these financial statements.

Company balance sheet as at 31 December 2005

| | | | | Restated | |
|---|------|-------|---------|----------|---------|
| | Note | 2005 | 2005 | 2004 | 2004 |
| | | £'000 | £'000 | £'000 | £'000 |
| Fixed assets | | | | | |
| Investments | 13 | | 441,256 | | 396,027 |
| Creditors: amounts falling due within one year | 17 | (4) | | (4) | |
| Net current liabilities | | | (4) | | (4) |
| Net assets | | | 441,252 | | 396,023 |
| Capital and reserves | | | | | |
| Called up share capital | 19 | | 2 | | 2 |
| Profit and loss account | 20 | | 30,765 | | 26,919 |
| Revaluation reserve | 20 | | 410,485 | | 369,102 |
| Total shareholders' funds | 20 | | 441,252 | | 396,023 |
| Attributable to | | | | | |
| Equity | | | 441,250 | | 396,021 |
| Non equity | | | 2 | | 2 |
| | | | 441,252 | | 396,023 |

These financial statements were approved by the directors on 27 March 2006.



J Dyson
Director

The notes on pages 11 to 33 form part of these financial statements.

Consolidated cash flow statement for the year ended 31 December 2005

| | Note | 2005 £'000 | 2005 £'000 | 2004 £'000 | 2004 £'000 |
|---|------|---------------|---------------|---------------|---------------|
| Cash inflow from operating activities | | | | | |
| Net cash inflow before exceptional items | A | 75,066 | | 75,877 | |
| Outflow related to exceptional items | | - | | (500) | |
| Net cash inflow from operating activities | | | 75,066 | | 75,377 |
| Returns on investments and servicing of finance | | | | | |
| Interest received | | 7,199 | | 3,137 | |
| Interest paid | | (614) | | (377) | |
| Non-equity dividends paid to shareholders | | - | | (6,000) | |
| Net cash inflow/(outflow) from returns on investments and servicing of finance | | | 6,585 | | (3,240) |
| Taxation | | | (17,568) | | (17,333) |
| Capital expenditure and financial investments | | | | | |
| Loan to related party | | - | | (19,998) | |
| Loan repayments from related party | | 13,917 | | 6,080 | |
| Proceeds from sale of tangible fixed assets | | 2,141 | | 1,624 | |
| Purchase of tangible fixed assets | | (18,219) | | (24,928) | |
| Net cash outflow from capital expenditure and financial investments | | | (2,161) | | (37,222) |
| Acquisitions | | | | | |
| Purchase of minority interest | | - | | (131) | |
| Net cash outflow for acquisitions | | | - | | (131) |
| Equity dividends paid | | | - | | (1,000) |
| Net cash inflow before financing | | | 61,922 | | 16,451 |
| Financing | | | | | |
| Capital element of finance leases | | - | | (15) | |
| Foreign currency net investment hedges | | (1,657) | | - | |
| Net cash outflow from financing | | | (1,657) | | (15) |
| Increase in net cash | B | | 60,265 | | 16,436 |

The notes on pages 11 to 33 form part of these financial statements.

Notes to the consolidated cash flow statement for the year ended 31 December 2005**A Reconciliation of operating profit to net cash inflow from operating activities**

| | 2005 £'000 | 2004 £'000 |
|--|---------------|---------------|
| Operating profit | 96,526 | 75,443 |
| Depreciation of tangible fixed assets | 13,516 | 8,313 |
| Amortisation of intangible fixed assets | 340 | 336 |
| Impairment of tangible fixed assets | 290 | - |
| Loss/(profit) on disposal of fixed assets | 906 | (826) |
| (Increase) in stocks | (5,811) | (10,676) |
| (Increase) in debtors | (4,577) | (41,980) |
| (Decrease)/increase in creditors | (17,712) | 42,303 |
| (Decrease)/Increase in provisions | (8,412) | 2,964 |
| Net cash inflow from operating activities | 75,066 | 75,877 |

B Analysis of movements in net funds

| | At 1 January 2005 £'000 | Cash flows £'000 | At 31 December 2004 £'000 |
|---------------------------|----------------------------------|---------------------|------------------------------------|
| Cash at bank and in hand | 56,420 | 60,265 | 116,685 |
| Cash and cash equivalents | 56,420 | 60,265 | 116,685 |
| Total | 56,420 | 60,265 | 116,685 |

C Reconciliation of net cash flow to movement in net funds

| | 2005 £'000 | 2004 £'000 |
|-----------------------------------|----------------|---------------|
| Increase in net cash | 60,265 | 16,436 |
| Movement in borrowings | - | 15 |
| Movement in net funds in the year | 60,265 | 16,451 |
| Net funds at 1 January | 56,420 | 39,969 |
| Net funds at 31 December | 116,685 | 56,420 |

Statement of accounting policies

Accounting convention

These financial statements have been prepared under the historical cost convention, except for the valuation of investments, and in accordance with the Companies Act 1985 and applicable accounting standards. A summary of the more important Group accounting policies is set out below. These have been applied consistently to the prior year, except for the accounting policy relating to the valuation of investments (note 3). The change in policy has been accounted for as a prior year adjustment and the company's net assets and reserves amended accordingly.

Basis of consolidation

The financial statements of the Company and its subsidiaries for the year ended 31 December 2005 are incorporated in the consolidated financial statements for the year ended on that date.

Subsidiaries acquired are dealt with in the consolidated financial statements using acquisition accounting. Upon the acquisition of a subsidiary, fair values that reflect the condition at the date of acquisition are attributed to the identifiable assets and liabilities acquired. Adjustments are made to bring the accounting policies of subsidiaries acquired into alignment with those of the Group. Where the fair value of the consideration paid exceeds the fair value of the acquired assets and liabilities, the difference is treated as goodwill. The results of businesses acquired are included from the effective date of acquisition and businesses sold are included up to the date of disposal.

Turnover

Turnover is recognised on delivery of product to customer or completion of service and represents the invoiced value of goods and services derived from the Group's principal activities as described on page 2, net of Value Added Tax, settlement discounts and promotional expenditure.

Investments

Investments are initially recorded at cost and revalued subsequently to their net asset value at each balance sheet date.

Goodwill on consolidation

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 15 years. Provision is made for any impairment.

Patents/licences

Patents/licences included in intangible fixed assets are stated at cost less accumulated amortisation. Amortisation is provided from the date of acquisition to write off the cost less estimated residual value over their useful economic lives of 15 years.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on all tangible fixed assets at rates calculated so as to write off the cost, less estimated residual value, of each asset on a straight line basis, over its useful economic life, as follows:

| | |
|------------------------------|------------------|
| Freehold property | 2% per annum |
| Leasehold land and buildings | Period of lease |
| Tooling | 33.3% per annum |
| Plant and equipment: | |
| Information Technology | 33.3% per annum |
| Other | 10-20% per annum |
| Fixtures and fittings | 33.3% per annum |
| Motor vehicles | 25% per annum |

Assets in the course of construction are not depreciated until they are brought into use. No depreciation is provided against freehold land.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all direct expenditure and, where applicable, manufacturing support overheads. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Guarantee provision

Provision is made for the cost of repairing appliances under the guarantee period of 2-5 years, together with collection and return to the consumer where appropriate, based on the expected level of returns.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and/or from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Foreign currencies

Profit and loss accounts of foreign Group undertakings are translated at average rates of exchange. Balance sheets are translated at year-end rates. Exchange gains and losses arising from these translations are taken to reserves and reported in the consolidated statement of total recognised gains and losses. Assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange or the rate at which the transaction is contracted to be settled in the future. Exchange differences arising on transactions are taken to the profit and loss account.

Where the net assets of an investment are hedged using borrowings denominated in foreign currencies, any exchange differences on these borrowings are taken to reserves to the extent that they offset the exchange differences on revaluation of the investments.

Treasury and derivative instruments

Outstanding foreign exchange deals hedging anticipated future foreign exchange exposures are not marked to market. All other outstanding foreign exchange deals are marked to market using mid-market rates of exchange ruling at the balance sheet date. Premia and discounts on forward foreign exchange deals are taken to the profit and loss account as interest over the period of the contract. Option premia are taken to the profit and loss account over the life of the option. Credit default swaps are used as hedges for trading credit exposures and are not marked to market. Payments under credit default swaps are taken to profit and loss account over the period of the contract.

Leases and hire purchase agreements

Tangible fixed assets held under hire purchase agreements are capitalised at the amount representing the outright purchase price and are depreciated in the same manner as other tangible fixed assets over their useful lives. The related obligations, net of future finance charges, are treated as liabilities under creditors due within or after more than one year, as appropriate. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a reducing proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to the profit and loss account as they are incurred.

Pensions

Contributions in respect of defined contribution pension schemes are charged to the profit and loss account as they become payable in accordance with the rules of the schemes.

Research and development costs

Research and development costs are expensed to the profit and loss account as incurred.

Notes to the financial statements for the year ended 31 December 2005

1 Parent Company

The parent Company profit and loss account has not been presented as permitted by Section 230(3) of the Companies Act 1985. The parent Company's loss after tax for the year ended 31 December 2005 amounted to £500,000 (2004: profit as restated of £34,544,000).

2 Segmental information

The disclosure of segmental information as laid down by SSAP 25 – Segmental Reporting, would, in the opinion of the Directors, be seriously prejudicial to the interests of the Group. Consequently these disclosures have not been made.

3 Prior year adjustments

(a) Valuation of investments

During the year the company changed its accounting policy for the valuation of investments in subsidiaries from cost to net asset valuation to more appropriately reflect the Group's policy of hedging the net asset position of investments held in foreign currencies. A prior year adjustment has been made to revalue the investments to their net asset value at 1 January 2004. This adjustment has no impact on the results of the Group. The impact of this adjustment on the company is set out below:

| Company | 2005 | 2004 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Profit after tax | | |
| As previously disclosed | - | 34,555 |
| Adjustment for revaluation of assets | (500) | (11) |
| Reported (loss)/profit after tax | (500) | 34,544 |
| Investments | | |
| At cost | 27,561 | 27,561 |
| Revaluation adjustment | 413,695 | 368,466 |
| Reported valuation | 441,256 | 396,027 |

3 Prior year adjustments (continued)

(a) Valuation of investments (continued)

| Company (continued) | 2005 | 2004 |
|--------------------------------------|----------------|--------------|
| | £'000 | £'000 |
| Shareholders' funds | | |
| As previously disclosed | 27,557 | 27,557 |
| Adjustment for revaluation of assets | 413,695 | 368,466 |
| Reported shareholders' funds | 441,252 | 396,023 |

(b) Revenue recognition

As required by FRS 5 Application Note G (Revenue Recognition) the Group has changed its accounting policy to recognise turnover net of promotional expenditure. This expenditure was previously included in administrative expenditure. There is no impact on the Group or company profit for the financial year as a result of this adjustment. The comparative has been restated and the impact has been to reduce turnover and administrative expenses in 2004.

(c) Distribution expenses

Distribution expenses have been represented separately as this is considered more appropriate.

4 Profit on ordinary activities before taxation

| | 2005 | 2004 |
|---|--------|--------|
| | £'000 | £'000 |
| Profit on ordinary activities before taxation is stated after charging / (crediting); | | |
| Research and development | 35,547 | 19,423 |
| Auditors' remuneration including expenses | | |
| - Group | 200 | 180 |
| - Company | 1 | 1 |
| Fees payable to auditors for non-audit services | 378 | 169 |
| Depreciation of tangible fixed assets | 13,516 | 8,298 |
| Impairment of tangible fixed assets | 290 | - |
| Depreciation of assets held under hire purchase agreements | - | 15 |
| Amortisation of intangible fixed assets | 340 | 336 |
| Loss/(profit) on disposal of fixed assets | 906 | (826) |
| Operating leases - plant and equipment | 1,423 | 1,436 |
| Operating leases - property | 859 | 734 |

5 Directors' remuneration

| | 2005 | 2004 |
|--|--------|--------|
| | £'000 | £'000 |
| Aggregate emoluments | 31,542 | 21,610 |
| Company contributions paid to money purchase pension schemes | 39 | 278 |
| | 31,581 | 21,888 |

The number of directors with benefits accruing during the year under money purchase schemes is 2 (2004: 2).

5 Directors' remuneration (continued)

The directors' remuneration disclosed above includes the following amounts for the highest paid director:

| Highest paid director | 2005 £'000 | 2004 £'000 |
|--|---------------|---------------|
| Aggregate emoluments | 31,519 | 21,589 |
| Company contributions paid to money purchase pension schemes | 36 | 189 |
| | 31,555 | 21,778 |

6 Staff costs

| | 2005 £'000 | 2004 £'000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 80,727 | 70,314 |
| Social security costs | 8,786 | 8,164 |
| Other pension costs | 1,948 | 1,544 |
| Staff costs | 91,461 | 80,022 |

One of the Company's subsidiaries, Dyson Limited, operates defined contribution pension schemes. The assets are held and managed independently of the finances of that company.

The average monthly number of employees (including directors) during the year was as follows:

| By activity | 2005 £'000 | 2004 £'000 |
|--------------------------|---------------|---------------|
| Production | 54 | 53 |
| Sales and administration | 1,197 | 1,044 |
| Research and development | 428 | 340 |
| | 1,679 | 1,437 |

7 Interest receivable and similar income

| | 2005 | 2004 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Bank interest | 4,878 | 2,606 |
| Interest received from related party (note 24b and c) | 2,321 | 531 |
| | 7,199 | 3,137 |

8 Interest payable and similar charges

| | 2005 | 2004 |
|---------------|--------------|--------------|
| | £'000 | £'000 |
| Bank interest | 614 | 378 |
| | 614 | 378 |

9 Taxation

(a) Analysis of charge for the year

| | 2005 | 2004 |
|--|----------------|---------|
| | £'000 | £'000 |
| Taxation is based upon the taxable profit for the year as follows | | |
| UK corporation tax at 30% (2004: 30%) | | |
| - current year | 17,781 | 14,889 |
| - prior year | 2,312 | 594 |
| | 20,093 | 15,483 |
| Overseas tax | 4,949 | 40 |
| Double tax relief | (35) | (1,404) |
| Total current tax | 25,007 | 14,119 |
| Deferred tax at 30% (2004: 30%) | | |
| - current year | (1,581) | 3,891 |
| - prior year | (3,036) | (1,034) |
| Total deferred tax | (4,617) | 2,857 |
| Tax on profit on ordinary activities | 20,390 | 16,976 |

9 Taxation (continued)

(b) Factors affecting the tax charge for the year

The tax assessed for the year is lower (2004: lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

| | 2005 £'000 | 2004 £'000 |
|---|---------------|---------------|
| Profit on ordinary activities before tax | 103,111 | 78,202 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%) | 30,933 | 23,461 |
| Effects of: | | |
| Depreciation for year in excess of capital allowances | 422 | (953) |
| Amortisation of intellectual property | (7,802) | (3,500) |
| Expenses not deductible for tax purposes | 336 | 429 |
| Adjustments to tax charge in respect of previous periods | 2,313 | 594 |
| Benefits of tax incentives | (4,717) | (2,927) |
| Overseas tax losses utilisation | (115) | (941) |
| Differential overseas tax rates | 526 | 485 |
| Other timing differences | 3,112 | (2,530) |
| Current tax charge for year | 25,007 | 14,119 |

A further liability to taxation might arise if the retained profits of certain overseas subsidiaries were distributed to the UK.

(c) Factors that may affect future tax charges

The Group has unrelieved tax losses in certain countries outside the UK. Some of these have been used in 2005 and have contributed to a reduced Group tax charge. A deferred tax asset has been recognised in respect of losses carried forward where it is felt to be more likely than not that the Group will utilise these losses in future years.

The Group has benefited from specific tax incentives both in the UK and overseas, which have contributed to a tax charge in 2005, which is lower than the UK statutory rate and is expected to continue to do so in future years.

10 Dividends

| | 2005 | 2004 |
|--------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Equity | | |
| Interim dividends paid: | | |
| £Nil - per A share (2004: £50.10) | - | 1,000 |
| | - | 1,000 |
| Non equity | | |
| Interim dividends paid: | | |
| £Nil - per B share (2004: £3,000.00) | - | 6,000 |
| | - | 6,000 |
| Total dividends | - | 7,000 |

11 Intangible fixed assets - Group

| | Licences | Goodwill | Total |
|----------------------------|-----------------|-----------------|--------------|
| | £'000 | £'000 | £'000 |
| Cost | | | |
| At 1 January 2005 | 1,826 | 3,051 | 4,877 |
| Exchange differences | - | 219 | 219 |
| At 31 December 2005 | 1,826 | 3,270 | 5,096 |
| Amortisation | | | |
| At 1 January 2005 | 365 | 277 | 642 |
| Amortisation in the year | 122 | 218 | 340 |
| Exchange differences | - | 4 | 4 |
| At 31 December 2005 | 487 | 499 | 986 |
| Net book value | | | |
| At 31 December 2005 | 1,339 | 2,771 | 4,110 |
| At 31 December 2004 | 1,461 | 2,774 | 4,235 |

12 Tangible fixed assets – Group

| | Freehold land and buildings | Leasehold land and buildings | Tooling | Plant, equipment, fixtures and fittings | Motor vehicles | Total |
|----------------------------|-----------------------------------|------------------------------------|---------------|--|-------------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | | | |
| At 1 January 2005 | 36,755 | 747 | 57,713 | 29,913 | 580 | 125,708 |
| Additions | - | 4,749 | 5,129 | 8,216 | 125 | 18,219 |
| Disposals | (2,581) | - | (14,421) | (5,298) | (71) | (22,371) |
| Exchange differences | (12) | 361 | 4,424 | 294 | 14 | 5,081 |
| At 31 December 2005 | 34,162 | 5,857 | 52,845 | 33,125 | 648 | 126,637 |
| Depreciation | | | | | | |
| At 1 January 2005 | 4,020 | 97 | 35,406 | 17,964 | 376 | 57,863 |
| Charge in year | 673 | 199 | 9,354 | 3,205 | 85 | 13,516 |
| Disposals | (106) | - | (14,346) | (4,821) | (51) | (19,324) |
| Impairment | - | - | 290 | - | - | 290 |
| Exchange differences | (1) | 20 | 2,684 | 152 | 5 | 2,861 |
| At 31 December 2005 | 4,587 | 316 | 33,388 | 16,500 | 415 | 55,206 |
| Net book value | | | | | | |
| At 31 December 2005 | 29,575 | 5,541 | 19,457 | 16,625 | 233 | 71,431 |
| At 31 December 2004 | 32,735 | 650 | 22,307 | 11,949 | 204 | 67,845 |

The cost and net book values include assets in the course of construction as follows:

| | | | | | | |
|----------------------------|---|---|--------------|------------|---|--------------|
| At 31 December 2005 | - | - | 1,099 | 834 | - | 1,933 |
| At 31 December 2004 | - | - | 10,061 | 1,093 | - | 11,154 |

Capital expenditure contracted but not provided for at the year end was £1,450,000 (2004: 830,000).

13 Investments - Company

| | Restated |
|--|-----------------|
| | £'000 |
| Unlisted investments at valuation | |
| At 1 January 2005 | 396,037 |
| Revaluation | 41,383 |
| Exchange differences | 4,346 |
| At 31 December 2005 | 441,766 |
| Amounts written off investments | |
| At 1 January 2005 | 10 |
| Amounts written off in year | 500 |
| At 31 December 2005 | 510 |
| Net book value | |
| At 31 December 2005 | 441,256 |
| At 31 December 2004 | 396,027 |

13 Investments – Company (continued)

The principal subsidiaries of the Company are as follows:

Directly held by the Company:

| Company name | Country of incorporation | Shares held | Company holding % | Principal activity |
|-------------------------|---------------------------------|--------------------|--------------------------|---|
| Dyson Ltd | UK | Ordinary | 100 | Sale and service of domestic appliances |
| Dyson Research Ltd | UK | Ordinary | 100 | Holder of exclusive brand rights, licences and trademarks |
| Dyson Technology Ltd | UK | Ordinary | 100 | Research and development, owner of product design rights |
| Dyson International Ltd | UK | Ordinary | 100 | Intermediate holding company |
| Dyson Estates Ltd | UK | Ordinary | 100 | Purchase and rental of commercial premises |
| Dyson Exchange Limited | UK | Ordinary | 100 | Sale of domestic appliances |

13 Investments – Company (continued)

Indirectly held by the Company:

| Company name | Country of incorporation | Shares held | Group holding % | Principal activity |
|---------------------------------|---------------------------------|--------------------|------------------------|---|
| Dyson Appliances (Aust) Pty Ltd | Australia | Ordinary | 100 | Sale and service of domestic appliances |
| Dyson SAS | France | Ordinary | 99.95 | Sale and service of domestic appliances |
| Dyson GmbH | Germany | Ordinary | 100 | Sale and service of domestic appliances |
| Dyson KK | Japan | Ordinary | 100 | Sale and service of domestic appliances |
| Dyson SA | Switzerland | Ordinary | 99.9 | Sale and service of domestic appliances |
| Dyson Manufacturing Sdn Bhd | Malaysia | Ordinary | 100 | Manufacturing support |
| Dyson Technology Inc | USA | Ordinary | 100 | Holding company |
| Dyson Inc | USA | Ordinary | 100 | Sale and service of domestic appliances |
| Dyson Canada Limited | Canada | Ordinary | 100 | Sale and service of domestic appliances |
| Dyson Ireland Ltd | Ireland | Ordinary | 100 | Sale and service of domestic appliances |

14 Stocks

| | 2005 | 2005 | 2004 | 2004 |
|-------------------------------------|---------------|----------------|--------------|----------------|
| | Group | Company | Group | Company |
| | £'000 | £'000 | £'000 | £'000 |
| Raw materials and consumables | 6,016 | - | 2,710 | - |
| Finished goods and goods for resale | 25,862 | - | 21,528 | - |
| | 31,878 | - | 24,238 | - |

15 Debtors – Amounts falling due within one year

| | 2005 | 2005 | 2004 | 2004 |
|--------------------|--------|---------|--------|---------|
| | Group | Company | Group | Company |
| | £'000 | £'000 | £'000 | £'000 |
| Trade debtors | 88,654 | - | 82,335 | - |
| Corporation tax | 315 | - | 3,784 | - |
| Deferred tax asset | 2,964 | - | - | - |
| Other debtors | 669 | - | 123 | - |
| Prepayments | 4,262 | - | 3,759 | - |
| | 96,864 | - | 90,001 | - |

16 Debtors – Amounts falling due after more than one year

| | 2005 | 2005 | 2004 | 2004 |
|------------------------------|-------|---------|--------|---------|
| | Group | Company | Group | Company |
| | £'000 | £'000 | £'000 | £'000 |
| Other debtors (see note 24c) | - | - | 13,918 | - |
| | - | - | 13,918 | - |

17 Creditors – Amounts falling due within one year

| | 2005 | 2005 | 2004 | 2004 |
|-----------------------------------|--------|---------|--------|---------|
| | Group | Company | Group | Company |
| | £'000 | £'000 | £'000 | £'000 |
| Trade creditors | 23,219 | - | 30,876 | - |
| Other creditors | 5,933 | - | 2,483 | - |
| Corporation tax | 5,052 | - | 6,475 | - |
| Other taxes and social security | 11,315 | - | 20,366 | - |
| Accruals and deferred income | 31,659 | - | 28,527 | - |
| Amounts due to Group undertakings | - | 4 | - | 4 |
| | 77,178 | 4 | 88,727 | 4 |

18 Provisions for liabilities and charges

| Group | Deferred tax £'000 | Guarantee £'000 | Total £'000 |
|--|--------------------------|--------------------|----------------|
| At 1 January 2005 | 1,736 | 16,242 | 17,978 |
| Transferred to debtors | 2,964 | - | 2,964 |
| Transferred from profit and loss account | (4,617) | (6,434) | (11,051) |
| Exchange rate movements | (83) | 332 | 249 |
| At 31 December 2005 | - | 10,140 | 10,140 |

The guarantee provision represents the cost of potential repair and modification of goods under guarantee.

Deferred taxation comprises

| | 2005 Provided £'000 | 2005 Unprovided £'000 | 2004 Provided £'000 | 2004 Unprovided £'000 |
|---------------------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|
| Accelerated capital allowances | 7,426 | - | 6,258 | - |
| Other timing differences | (10,243) | - | (3,782) | - |
| Losses | (147) | - | (740) | - |
| Deferred tax (asset)/liability | (2,964) | - | 1,736 | - |

19 Share capital

| | 2005 | 2004 |
|-------------------------------------|--------------|--------------|
| | £ | £ |
| Authorised share capital | | |
| 20,000 'A' ordinary shares of £0.01 | 200 | 200 |
| 2,000 'B' ordinary shares of £1 | 2,000 | 2,000 |
| | 2,200 | 2,200 |
| Called up and fully paid | | |
| 19,960 'A' ordinary shares of £0.01 | 200 | 200 |
| 2,000 'B' ordinary shares of £1 | 2,000 | 2,000 |
| | 2,200 | 2,200 |

Non equity shares

The B ordinary shares are only entitled to distributable profits after the first £1,000,000 of dividends have been distributed to the A ordinary shares. They carry no votes at shareholder meetings and are only entitled to repayment of their nominal value on a winding up.

20 Reconciliation of movements in shareholders' funds

| Group | Share capital | Profit and loss account | 2005 | 2004 |
|---|---------------|-------------------------|----------------|----------------|
| | £'000 | £'000 | £'000 | £'000 |
| Shareholders' funds at 1 January | 2 | 149,947 | 149,949 | 96,168 |
| Profit for the financial year | - | 82,720 | 82,720 | 61,187 |
| Dividends | - | - | - | (7,000) |
| Other gains and losses | - | 976 | 976 | (406) |
| Shareholders' funds at 31 December | 2 | 233,643 | 233,645 | 149,949 |
| Attributable to | | | | |
| Equity | | | 233,643 | 149,947 |
| Non equity | | | 2 | 2 |
| | | | 233,645 | 149,949 |

20 Reconciliation of movements in shareholders' funds (continued)

| Company | Share capital £'000 | Profit and loss account £'000 | Revaluation reserve £'000 | 2005 £'000 | Restated 2004 £'000 |
|--|---------------------------|--|---------------------------------|----------------|---------------------------|
| Shareholders' funds at 1 January as previously stated | 2 | 26,919 | 369,102 | 396,023 | 2 |
| Prior year adjustment | - | - | | - | 94,115 |
| At beginning of the year as restated | 2 | 26,919 | 369,102 | 396,023 | 94,117 |
| Profit for the financial year | - | (500) | - | (500) | 34,544 |
| Dividends | - | - | - | - | (7,000) |
| Revaluation of fixed asset investments | - | - | 41,383 | 41,383 | 274,987 |
| Other gains and losses | - | 4,346 | - | 4,346 | (625) |
| Shareholders' funds at 31 December | 2 | 30,765 | 410,485 | 441,252 | 396,023 |

£27,555,000 of the profit and loss account in the company represents an unrealised profit.

21 Minority interest

| | 2005 £'000 | 2004 £'000 |
|--|---------------|---------------|
| At 1 January | 3 | 1 |
| Share of profit for the financial year | 1 | 39 |
| Acquisition of minority interest | - | (37) |
| At 31 December | 4 | 3 |

22 Financial Commitments

The Group had annual commitments under non-cancellable operating leases expiring as follows:

| | 2005 | | 2004 | |
|--------------------------|--------------|-------------------------------------|----------|-------------------------------------|
| | Property | Vehicles, plant and equipment | Property | Vehicles, plant and equipment |
| | £'000 | £'000 | £'000 | £'000 |
| Within one year | 59 | 84 | - | 109 |
| Within two to five years | 911 | 1,362 | 673 | 1,174 |
| In more than five years | 161 | - | - | - |
| | 1,131 | 1,446 | 673 | 1,283 |

23 Pension costs

Pension costs of £1,948,000 (2004: £1,544,000) were charged in the year in relation to Group defined contribution pension schemes. £174,000 (2004: £10,000) was included in other creditors at the year end as amounts payable to the scheme.

24 Related party transactions

The company is exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Group or investees of the Group. For details of other related party transactions see below.

- a) During the year the Group entered into transactions with related parties in which the following directors of a subsidiary company had a beneficial interest:

Consultancy services were provided by Sir Richard Needham Consultancy Limited for an amount of £106,000 (2004: £300,000). At the year end a balance payable to the related party amounted to £63,000 (2004: £5,000). Sir Richard Needham is a non-executive director of Dyson Limited.

Consultancy services were provided by Going Plural, the consultancy company owned by Allan Leighton for an amount of £nil (2004: £47,000). At the year end no balance was payable to the related party (2004: £nil). Allan Leighton was a non-executive director of Dyson Limited (resigned 20th December 2004).

24 Related party transactions (continued)

- b) During the year amounts totalling £25,200,000 (2004: £nil) were advanced to James Dyson by way of interest-bearing loan. The loan was repayable on demand and carried interest at 1.35% above bank base rate (interest accrued in 2005: £1,277,000 (2004: £nil)). The entire loan was outstanding at the year end. It was subsequently settled in full on 20 March 2006 from amounts owed to James Dyson for services provided during the year to 31 December 2005.
- c) During the year the Group provided a loan of up to £21,155,000 (2004: £19,998,000) to a company (Profred Limited) in which James Dyson has a beneficial interest. The terms of the loan were:

Repayment: No later than second anniversary after the first drawdown
 Interest: 1.35% above bank base rate (interest received in 2005: £1,044,000 (2004: £531,000))
 Loan guarantor: James Dyson

The balance receivable was settled in full in cash on 30 September 2005.

- d) Profred Limited provided the Group with services amounting to £1,815,000 (2004: £2,030,000) during 2005. At the year end the balance payable to Profred Limited amounted to £nil (2004: £129,000).
- e) Profred Partners LLP, a limited liability partnership in which James Dyson has a beneficial interest, provided the Group with services amounting to £1,280,000 (2004: £nil) during 2005. At the year end the balance payable to Profred Partners LLP amounted to £319,000 (2004: £nil).
- f) During the year the Group sold a property to James Dyson for £1,475,000 realising a loss of £968,000. The consideration was included in the advance referred to in b) above. At the same time the Group entered into a lease with James Dyson for the use of part of the building. During the year it paid rent of £38,000 under the lease.

25 Controlling party

James Dyson, the Chairman, is the controlling party by virtue of his controlling interest in the Company's equity capital.

26 Contingent liabilities

The Group has given maximum guarantees of £75,000 (2004: £75,000) to HM Customs and Excise in respect of Dyson Limited's deferment account.

At the year end the Group had outstanding forward foreign exchange contracts and foreign exchange option commitments amounting to £140,937,000 (2004: £107,840,000).